

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 232-8779

December 4, 2008

The Honorable Carol McDaniel
LaPorte County Assessor
813 Lincolnway Street, Suite #201
LaPorte, IN 46350

Dear Ms. McDaniel:

RE: 2006 Reassessment Ratio Study

The Department of Local Government Finance (DLGF) has reviewed the re-submittal of your ratio study received on November 20, 2008, for the March 1, 2006 tax year. The ratio study, which was submitted in response to the Department's May 23, 2008 reassessment order, was reviewed for compliance with both the Mann-Whitney test, which measures "sales chasing," and a preliminary review of the ratio study's statistical measures.

Attached are two (2) separate reports:

- Attachment "A" is the Mann-Whitney/Spearman Rank Test results. It details the findings in order of severity.
- Attachment "B" is the ratio study checklist. As noted below, it is a preview of the issues which may remain after correction of the Mann-Whitney test.

In short, LaPorte County failed the Mann-Whitney test, which determines if sold and unsold properties were assessed in a similar manner. The 34 neighborhoods that failed the test comprise 14% of the total assessed value for LaPorte County. This assessed value is concentrated in four townships (Center, Coolspring, Galena, and Michigan) with the remaining failing townships comprising approximately 0.5% or less each of the total assessed value. The table below details the percent of total assessed value of neighborhoods that did not pass the Mann-Whitney test in these four townships:

Township	Pct. Of Total AV
Center	2.12%
Coolspring	2.68%
Galena	1.93%
Michigan	3.66%
<i>TOTAL</i>	<i>10.39%</i>

These errors are enough to affect an overall tax rate, and thus, the amount that each property taxpayer will pay. For that reason, these errors must be corrected.

In the Department's review of ratio study submissions in 2007 pay 2008, the Mann-Whitney and Spearman Rank tests were not applied to all counties. They are applied in this case as a result of a formal complaint brought by a taxpayer alleging "sales chasing," pursuant to IC 6-1.1-4-9, IC 6-1.1-4-31, and IC 6-1.1-33.5 (for further details see Paragraph #24 of the May 23, 2008 Reassessment Order). This test is applicable under the Indiana Guidelines at 50 IAC 2.3 and 50 IAC 21, as well as the International Association of Assessing Officers (IAAO) 1999 Standard on Ratio Studies (incorporated by reference in 50 IAC 21).

As a result of the LaPorte County taxpayer's proceeding, LaPorte's 2006 pay 2007 ratio study submission must successfully pass review of four (4) separate tests:

1. The Mann-Whitney Test (this test is applied as a result of taxpayer proceeding)
2. The Spearman Rank Test (this test is applied as a result of taxpayer proceeding)
3. The ratio study analysis and compliance with the various statistical measurements (this test given to all counties since 2002 pay 2003)
4. A change analysis of values (this test applied to all counties since 2006 pay 2007)

All counties must comply for 2008 pay 2009 with all of these tests. Again, LaPorte County is subjected to the additional tests as a result of taxpayer proceedings under IC 6-1.1-4-9, IC 6-1.1-4-31, and IC 6-1.1-33.5.

As part of our current review procedures, if a county does not pass the Mann-Whitney test in the initial review, the Department does not generally do an analysis of the ratio study until compliant with the Mann-Whitney test. In this case, to expedite the reassessment review, the Department conducted a preliminary review of the ratio study. Attachment "B" specifies additional areas to clarify or correct. Please note that this preliminary review is not a comprehensive analysis. The purpose of this review is to allow issues to be addressed concurrently with the Mann-Whitney test and expedite the entire process.

We are committed to an expedited review of ratio studies. Please submit revisions no later than December 18, 2008. You may either e-mail the information to me at Bwood@dlgf.in.gov or send it to my attention at the office address listed above.

If you have any questions, or need further clarification, please contact me directly at (317) 232-3762.

Sincerely,



Barry Wood
Director - Assessment Division

cc: Jeff Wuensch, Nexus Group
LaPorte County Auditor
LaPorte County Treasurer
LaPorte County Commissioners
LaPorte County Council
Tom Atherton